"Restoring Full Employment": An Overview
Steve O'Neill, Geoff Winter and Dale Daniels

Economics, Commerce and Industrial Relations Group
and Social Policy Group
14 January 1994

Parliamentary Research Service

Current Issues Brief Number 1 1994
"Restoring Full Employment": An Overview

Telephone: 06 277 2463
Facsimile: 06 277 2475
This paper has been prepared for general distribution to Members of the Australian Parliament. Readers outside the Parliament are reminded that this is not an Australian Government document, but a paper prepared by the author and published by the Parliamentary Research Service to contribute to consideration of the issues by Senators and Members. The views expressed in this Paper are those of the author and do not necessarily reflect those of the Parliamentary Research Service and are not to be attributed to the Department of the Parliamentary Library.
CONTENTS

Executive Summary .................................................. i

1. Background ......................................................... 1

2. Economic Context ................................................. 1

3. The Role of Labour Market Programs ......................... 3

4. The Job Compact .................................................. 4

5. Delivery of Labour Market Assistance ........................ 7

6. Reforming Social Security ........................................ 9
   6.1 Increased Financial Incentives to Undertake Part-time Work ............... 10
   6.2 Individual Entitlement to Unemployment Payments for Married Couples .................. 11
   6.3 Improved Incentives for Married Unemployed People .................. 11
   6.4 Parenting Allowance for Persons in Low-income Families Looking After Dependent Children .............. 12

7. Conclusion: Can it Work? ..................................... 13

Appendix 1 ............................................................. 15

Appendix 2 ............................................................. 16
Executive Summary

The Committee on Employment Opportunities claims that its report, Restoring Full Employment, explains the choices and trade-offs Australia would need to make to restore full employment, and offers a range of ideas for alleviating the problem of long term unemployment. The Discussion Paper's main observations and recommendations to address high levels of unemployment are:

- Economic recovery will possibly lower the unemployment rate from its current level of over 11 per cent to about 7 per cent by the end of the decade, providing recovery is sustained and no other positive methods are adopted.

- A lower unemployment rate of 5 per cent at this time is possible if those factors which maintain a large level of long term unemployed can be addressed. The number of unemployed out of work (but seeking it) for 12 months or more is about 350 000. The Committee envisages that after a screening process to seek out able and non-able job seekers, this number could be reduced to about 90 000.

- A Job Compact is proposed whereby the Government will increase its efforts to find work for those unemployed providing benefit recipients do not refuse reasonable job offers. This is currently a requirement of social security assistance but the Committee does not believe that the obligation is always honoured.

- The Committee believes that forms of assistance which enhance labour market efficiency (active programs) should be supported over programs which merely provide social security assistance (passive assistance). To this extent the Committee acknowledges the advice of the relevant departments that the existing active programs can be augmented from the 1993-94 placement levels, about 180 000 placements, with another 75 000 given additional funding.

- The Commonwealth Employment Service needs to be more effective in addressing the individual needs of clients, but is restricted in part due to program funding restrictions.

The Committee puts forward a package of measures to restructure social security payments for unemployed people in fundamental ways. It argues that the present arrangements have not changed in many respects since unemployment benefits were introduced in 1945, while the labour market has changed greatly. The Committee has come up with four major proposals for change in response to these problems:
- Increased financial incentives to undertake substantial part-time work;

- Allowing individual entitlement to unemployment payments for married people;

- Improved incentives for married unemployed people; and

- A parenting allowance for persons in low-income families looking after dependent children.

These proposed reforms promise an overdue updating of the present income support regime for unemployed people and an important step towards greater recognition of unpaid parenting work.

- This *Current Issues Brief* concludes that as the effectiveness of the Job Compact is contingent on private employers responding to the scheme, definite funding requirements cannot be ascertained. In any case the Government's Forward Estimates project declining levels of funding for active labour market programs in the absence of the Job Compact, and the absolute level of placements projected under the Job Compact seem only marginal compared to current levels. The case for a jobs levy to fund active labour market programs would not appear to be robust.
1. **Background**

A statement made by the Prime Minister, Mr Keating, to the Economic Planning Advisory Council on 28 May 1993, called for an expert committee to inquire into Australia's unemployment level. (Appendix 1 details the full membership of this Committee). The Committee (known as the Committee on Employment Opportunities) was asked to prepare a Government Discussion Paper to assess current policies on unemployment and report by December 1993. The proposal was put in the context of the need to take into account long term developments in the labour market.

A secretariat was provided to the Committee by a Task Force established within the Department of Prime Minister and Cabinet headed by Dr Meredith Edwards. The Committee liaised with a Caucus Employment Task Force which in turn was required to consult with the broader community and following these consultations made a submission to the Committee: "Growth Plus Equals the Employment Challenge: A Positive Agenda for Change". As well Dr Bruce Chapman from the Australian National University provided a review of current labour market programs to the Committee.

The resulting Discussion Paper, *Restoring Full Employment*, was tabled in Parliament on 15 December 1993. In essence, it recommends a strengthening of Australia's current labour market programs, and seeks to make the system more disciplined and thus more effective. A brief outline of each of the current programs is provided in Appendix 2.

Between now and mid-March, the Committee will be seeking extensive feedback on the Discussion Paper from the public and key groups through nationwide consultations and invitations to put forward written submissions. The Committee will then report back to the Prime Minister on its canvassing of community views. It is expected that the Government will then release a White Paper in May 1994 setting out the action it intends to take.

2. **Economic Context**

Improving the economic situation is seen as necessary to reduce unemployment. Economic growth is the basis for any sustained reduction of the unemployment level and the Discussion Paper notes recent economic growth figures annualised at over 3 per cent. The Committee would like to see higher growth rates sustained at about 5
per cent annually for the remainder of the decade and if this occurred, an unemployment rate of near 5 per cent might be feasible.

The Committee also notes a 30 per cent improvement in Australia's competitiveness achieved over the past 10 years. Continuing micro economic reform is suggested as the primary means of improving productivity, which in turn is required to make Australian industry competitive in local and overseas markets. The Discussion Paper highlights recommendations of the Hilmer Committee Report, *National Competition Policy* (August 1993), to extend competitive influences into otherwise protected domestic institutions and organisations (p.67).

The economic context then is presented as one of improvement. The Government has since its July 1992 employment statement significantly increased funds allocated to labour market programs. Together with present economic growth trends, for example the observed increase in employment of 100 000 in 1993 and the current level of labour market program spending, the Discussion Paper forecasts an unemployment rate of between 7 and 8 per cent by the end of the decade with these policies in place and no other changes, reduction from the current level of over 11 per cent.

Longer term projections of government labour market program spending (Forward Estimates) reveal a clear wind-down from present levels presumably in concert with economic improvement. The Committee believes that such a course will still leave considerable numbers of long term unemployed. These are defined as those unemployed but seeking work for 12 months or more. They currently number 350 000. Half of this number has been out of work for two years or more, and the economic upturn envisaged will not of itself return these people into paid employment.

If there was any one over-riding concern to Government it is that the experience of the 1980s shows that economic growth results in job creation which is either taken up by those only recently made unemployed or by persons outside the labour market who seek to re-enter to take up the jobs growth. Meanwhile the long term unemployed miss out on these opportunities for a variety of reasons, not the least of which is employers' preference for those not seen as 'tainted' by a prolonged unemployment experience. The result is that a pool of long term unemployed grows and is not substantially reduced over each period of economic growth, although it quickly increases during recession. Half of all unemployed (460 000) are under 30 years of age and special problems are faced by people with non-english speaking backgrounds.

The Discussion Paper does not advocate wide scale public sector capital projects to alleviate unemployment, although its principal
recommendation, the Job Compact, may be used to employ people on some small scale public projects. However the job compact is directed mainly to the private sector. Private sector employers currently can receive subsidies to employ unemployed persons; for example under the JOBSTART program, subsidies of over $200 per week are available to employers for up to six months (depending on the period of unemployment and age of the newly employed worker).

Other frequently suggested solutions to unemployment are not seen as practical. For example work-sharing is not seen as attractive since it lowers per capita productivity hence incomes, and people tend to resist the loss of income and seek to restore it through higher wages (pp.68-69); also, significant changes to the industrial relations system are not seen as a serious alternative. The recent reforms made to the industrial system are noted, for example the moves to increase productivity through the Industrial Relations Commission's wage fixing principles (the Structural Efficiency Principle) and, in more recent times, the move to promote enterprise bargaining through wage fixing principles and legislation. As well, the role of the program of wage restraint and jobs growth under the Accord until the end of the 1980s is acknowledged.

3. The Role of Labour Market Programs

Put simply the function of labour market programs, as seen in the Discussion Paper, is not to alleviate unemployment directly but to provide unemployed people with the skills to participate in paid work when the opportunity arises. To this extent, the direction advocated in the Discussion Paper closely correlates with the adoption of the active labour market program advocated by the Organisation for Economic Co-operation and Development (OECD). The OECD in its recent Employment Outlook made the observation:

> Labour market programs are sizeable in most countries and can be expected to generate a variety of economic and social consequences. One component of these expenditures is designated as 'active measures', i.e. those aiming at improving access to the labour market and jobs, job-related skills and labour marketing function¹.

The Discussion Paper's principles are very much located in these OECD concepts of improving the efficiency of the labour market and pursuing active rather than passive programs which merely provide social security support without improving work skills or labour market efficiency.

---

The Committee observes that the overwhelming amount of social security payments is made in the form of passive programs ($7.5 billion or 80 per cent), while active labour market programs currently cost about $1.3 billion (0.3 per cent of GDP), but administration costs need to be added at almost $800 million. Under the broad OECD definition of assistance which can be defined as labour market program spending, Australia’s spending increases to 0.82 per cent of GDP (for 1992-93, p.99). It is also noted that Australia’s programs are cheaper to run than those of the OECD. This is because of the generally shorter training periods for the clients involved: 6 weeks compared to often 6 months for OECD programs.

Programs which assist non-english speaking individuals to acquire English speaking skills would be designated as active programs; similarly programs which assist persons to re-locate to areas of labour demand would be called active programs. Their common element is that labour market efficiency must be improved. Under the diffuse labels which Australia’s labour market programs assume, it is these active programs which the Discussion Paper wants augmented. According to the Discussion Paper, Australia’s labour market programs are on par, as a proportion of Gross Domestic Product (GDP) with those overseas:

Despite the lower spending compared to GDP, (OECD average: 1 - 1.2% of GDP, Aust.: 0.82% of GDP), the lower costs of assistance on average means that Australia provides programs to a similar proportion of the unemployed as do other OECD countries with the exception the Scandinavian countries and Germany. (p.98)

As to the overall usefulness of these, the Discussion Paper observes

We now have more program places, at a lower cost and better directed to long term unemployed people, than in the mid 1980s. The range of programs and services is now more capable of addressing the range of client needs. (p.120)

The object therefore is to expand these programs in terms of broadening their contact with unemployed people.

4. The Job Compact

The nub of the proposed **Job Compact** is an increased reciprocal obligation between the Government, the provider of job search assistance, and the recipient.

Current processes require an obligation from recipients to actively seek work in return for the assistance provided. This is the premise
underlying the contractual obligation under the 'Newstart' program\(^2\). However it is strongly suggested that in times of recession not only is the obligation of governments to provide assistance increased, but so too is the obligation for the recipient to take more steps to find work and not refuse reasonable job offers. It is alleged that the system of applying these obligations is not working properly in practice.

The Job Compact proposition would strengthen both sets of obligations; these being the obligation on the Government to increase its efforts in finding suitable jobs for unemployed persons, and the obligation on these people to accept that which is offered. Ultimately should an offer be refused the recipient would be refused benefits for a period of time.

The Job Compact proposal would initially target those unemployed for three years or more, then those unemployed for 18 months or more and could later include those unemployed for 12 months or more. Within a reasonable time frame, no-one unemployed for two years or more would go without a job offer.

A higher financial outlay for the broadened scope of current programs is expected (an increase in labour market program outlays of between $0.9 billion and $1.4 billion), although the Committee urges caution on this extra cost; any direct additional outlay is likely to be countered by improved returns to the Budget through taxation receipts and diminution of expenditures under other forms. The Discussion Paper recommends changes to current social security arrangements to ease the path of recipients into some form of paid work. These measures are expected to cost $400 million annually. The overall annual cost of the suggested course of action is about $2 billion.

The Committee has taken advice from the relevant departments (the Department of Employment, Education and Training (DEET) and the Department of Social Security (DSS)) as to the additional numbers (of current unemployed which the present programs could be extended to incorporate. It accepts their advice that the current programs could be set at a higher range of coverage, and according to DEET program managers, with additional funding, 75 000 additional places could be created on top of the peak of 179 000 to be achieved this financial year. This is an important point since the delivery of labour market programs depends on the available infrastructure through many organisations, for example the Commonwealth Employment Service and the Office of Labour Market Adjustment.

\(^2\) *Newstart*, the Commonwealth Government’s 'Active Employment Strategy' was introduced on 1 July 1991. It is a graduated and systematic program for unemployed people whereby the longer a person has been unemployed the more (intensively) involved the CES becomes in order to find them suitable work.
Also many of those labour market programs which provide training do so through a myriad of private suppliers; training in effect provided under contract. Together these public and private institutions represent the program delivery structure which the Committee seeks to build on, and minimise additional costs of expansion.

It is expected that job offers would be provided mainly through the private sector and funding would use existing programs, notably Jobstart. However it is acknowledged that in certain regions, public sector jobs will need to be created but these should be limited to about 50 000.

The funding for the Job Compact could be derived from reducing other outlays, with the burden thus falling on those currently receiving some form of benefit. The alternative is for an increase in PAYE taxation, either for a fixed term, or until a satisfactory labour market target is reached. The options prescribed in the Discussion Paper for such a Jobs Levy are:

<table>
<thead>
<tr>
<th>Revenue from a Jobs Levy</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1993-94 income levels</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Option 1</strong></td>
</tr>
<tr>
<td>$25 000 - 35 000</td>
</tr>
<tr>
<td>$35 000 - 40 000</td>
</tr>
<tr>
<td>$40 000 and over</td>
</tr>
<tr>
<td><strong>Option 2</strong></td>
</tr>
<tr>
<td>$21 000 and over</td>
</tr>
<tr>
<td><strong>Option 3</strong></td>
</tr>
<tr>
<td>$35 000 - 50 000</td>
</tr>
<tr>
<td>$50 000 and over</td>
</tr>
</tbody>
</table>

It is also expected that the great majority of Job Compact placements would be in the private sector. At the height of the program in 1996-97, some 230 000 persons would be covered by a labour market program, and of these 168 000 would be placed in a job under the Job Compact.

This would seem to be only a modest increase over 1993-94 placements of 179 000. However expenditure on broadly defined labour market programs is forecast in the Forward Estimates to decrease from a 1993-94 peak of 0.87 per cent of GDP to 0.55 per cent of GDP in 1996-97 under current planning arrangements (p.99). The adoption of a Job Compact as proposed would seek to maintain current levels of
spending on active programs, as a proportion of GDP, rather than allowing these to fall as recovery picks up.

5. **Delivery of Labour Market Assistance**

Central to any labour market policy is the delivery of the service(s) it is intended to provide in order for the desired outcomes to be achieved. This is discussed in Chapter 6 of the Discussion Paper. In this context the Paper concentrates on the Commonwealth Employment Service (CES), the public employment agency established in 1945-46. (The Australian Government, as a party to Convention 88 of the International Labour Organisation, was obliged to provide a free public employment service.)

Two related issues have been identified by the Committee as being the most important in this regard:

- the role and performance of the CES; and
- a need to improve the delivery of labour market program assistance to better meet individual needs and the needs of industry at the local and regional level. (p. 137)

The role of the CES is discussed in the context of the much higher levels of unemployment from the 1970s compared with earlier periods: should it 'job-match' for all unemployed people or focus on disadvantaged job-seekers? The Paper mentions the reviews of the CES and their effects and the place of the CES in the overall operation of the labour market:

The diversity of providers brought into being by DEET now forms a basis on which more can be built to complement the role of the CES. (p. 139)

The Committee found that the impact in the market of the CES is relatively small, but that it appears to have been far more successful in helping disadvantaged job-seekers in recent years. This result has been dependent on the CES being notified of a good supply of vacancies which could be filled by the job-seekers. Thus job-matching and employer servicing are important in achieving this goal.

The Committee found that, for a variety of reasons, the CES was not providing enough *individual* assistance to job-seekers, and this situation was exacerbated with the introduction of Newstart in 1991: there was a complex program structure and a lack of flexibility in program administration, and staff have not been sufficiently able to address client needs. Flexibility of the programs themselves was constrained by the size of the program budget and the budgetary cycle,
eligibility criteria, lack of flexibility in addressing the needs of particular clients and the effects of the trade-off between targets and flexibility (fewer disadvantaged job-seekers may be assisted if targets were removed). Flexibility for other providers is also affected by funding requirements.

With recent changes in mind, allowing for 'more effective service delivery' particularly in identifying and dealing with unemployed people's problems, the Discussion Paper discusses options for enhancing service delivery. The Committee proposes:

- individualising service to unemployed people;
- establishing clearly who should get what assistance and when;
- improving the capability of staff to assist;
- making better use of other providers in conjunction with the CES; and
- reforming CES administration (eg. funding arrangements and information provision),

that is, that there is

a continuing strong role for the CES, at least in the medium term. (p. 147)

In this context, the Discussion Paper concentrates on the **individual approach**, detailing how this could be implemented with particular reference to (more intensive and extensive) case management, and **responsiveness to local conditions**, emphasising enhanced local autonomy and encouragement of and support for local initiatives. With regard to the individual approach the Committee does indicate an awareness of the changing costs and the impact on and changes to administrative arrangements which would result. It proposes a case management strategy, which would include non-CES providers. With regard to local conditions, the Discussion Paper notes that:

the complexity of programs and the lack of flexibility ... restricts the extent to which the CES and non-government providers can meet local needs (p. 155)

and that there is a

lack of strong and effective links between the CES and local or regional communities (p. 156).

However, using examples of successful schemes which have been initiated at the local level, the Committee discusses ways in which more inclusive programs can be developed and implemented.
The Discussion Paper concludes by listing measures which could not only assist unemployed people to find work but which could also enable 'new delivery structures' to be established and 'existing providers to contribute more'. These could mean a lesser role for State and Territory governments in the labour market area, as their programs generally fill gaps in Commonwealth programs. In the drive for successful further labour market assistance:

The emphasis should be on achieving outcomes valued by individuals and communities rather than pursuing intermediate targets or objectives. The CES should have a clear view of its primary role in assisting people who are disadvantaged in the labour force. It should go about achieving this objective in a way that presents people with a variety of choices suited to their particular needs. People should be empowered, through their involvement with the CES and other labour market providers, to take control of their own lives.

Local communities should be involved in developing solutions to unemployment. They should be able to contribute ideas and resources and take more responsibility for the outcomes. (pp. 160, 161)

6. Reforming Social Security

The Committee devotes considerable space in the Discussion Paper to income support arrangements and puts forward a package of measures to restructure social security payments for unemployed people in fundamental ways. These measures are considered to be necessary because the structure of social security payments can significantly affect the re-entry of unemployed people into the paid labour force. Eligibility and income testing arrangements can effect incentives for unemployed people to search for work and participate in the labour force.

The Committee argues that the present arrangements have not changed in many respects since unemployment benefits were introduced in 1945, while the labour market has changed greatly. Increased unemployment, increased participation by married women and increased numbers of part-time and casual jobs have challenged the assumptions upon which the present income support arrangements are based. This view and many of the reforms proposed by the Committee were probably drawn from the Department of Social Security submission, details of which appeared in the press in November. The same issues were considered at the recent conference 'Social Security Policy: The Future'. At that conference Professor Bettina Cass outlined reforms which went beyond the Committee's

proposals and called for a 'participation income' based on social
collection to replace unemployment payments based on job search.
Serena Wilson and Julia Perry from the Department of Social Security
also raised many of the issues and reforms which have been considered
by the Committee^4.

The Discussion Paper lists four problem areas:

- the income test discourages the taking of part-time and casual
  work because it reduces payment by one dollar for every dollar of
  earned income over a large range of income;

- the treatment of married couples as one income unit for income
  testing does not encourage both partners to seek employment;

- incentives to take low paid full-time employment are low for
  married couples; and

- present arrangements can constrain the choices of parents
  balancing work and family responsibilities.

The Committee has come up with four major proposals for change in
response to these problems.

6.1 Increased Financial Incentives to Undertake
Substantial Part-time Work

Under this heading the main proposal is a restructuring of the free
area and the withdrawal rate under the income test. The suggested
changes are 'illustrative only' and therefore open for discussion. The
income test free area would be reduced for single people to a uniform
$30 per week and a withdrawal rate of 65 cents in the dollar would
replace the present two tier withdrawal rates of 50 and 100 cents in
the dollar. The major result of this change would be an increased
return from part-time employment where wages were above $130 per
week but a reduced return where it was lower. The new test is
designed to be simpler, encourage substantial part-time work, and still
provide incentives to move to full-time work.

---

4 Cass, B. 'Social Security Policy into the 21st Century: Supporting Work and
Care, Constructing New Partnerships between Social Protection and Changing
Patterns of Paid and Unpaid Work'. Wilson, S. 'Labour Market Trends:
Implications for Unemployment Payments', and Perry, J. 'Women, Work and
Families: Responding to Change, Implications for Social Security'. Papers
presented to Social Security Policy: the Future, Conference, ANU, 4-5 November
1993.
Other possible changes mentioned are: increased education about the income test to increase awareness of its true effects, an increased earnings credit level to encourage more casual work; and further simplification of the work to welfare transitional arrangements to encourage the taking of casual work and jobs with an uncertain future.

6.2 Individual Entitlement to Unemployment Payments for Married People

The Committee proposes changes to the treatment of married couples. These changes are designed to encourage both partners in unemployed couples to search for work:

- married women below approximately 40 years of age at the date of implementation would be required to qualify in their own right for unemployment payments. This would allow a gradual extension of this arrangement to all women;

- one spouse in a married couple family caring for children under 16 years of age (or perhaps 12 years) would be exempt from the requirement to look for work in recognition of their child care responsibilities and receive a parenting allowance;

- married women 'over age 40' would continue to receive a partner allowance dependant on their husbands continuing entitlement; and

- married women with children or 'over age 40' could still qualify in their own right if they wished.

The Committee maintains that many of the job opportunities on offer will be taken by women given the increase in part-time work and growth in traditionally female areas of the labour market. These measures may improve the chances of at least one member of a family gaining employment.

6.3 Improved Incentives for Married Unemployed People

The proposals already outlined necessitate a change in the income testing arrangements for married couples. If the single income test were merely applied to both spouses, the unemployed spouse of a high income earner could still receive unemployment payments. Under the proposal suggested for discussion income testing of unemployed couples would be changed by applying the single income test to each member of a couple. The income of one spouse would not affect the unemployment payment paid to their partner until their own entitlement had been exhausted. Only then would their income affect
the entitlement of their partner. This means that the income of either spouse would need to be over about $235 per week before it had any impact on the unemployment payment received by the other.

It is argued that these changes would improve incentives for either partner in an unemployed couple to take up full-time or part-time work and provide some assistance when one member of an employed couple loses a job but the other retains a low paid or part-time job.

6.4 Parenting Allowance for Persons in Low-income Families Looking After Dependent Children

The parenting allowance mentioned above would also be available to the spouse in a low income working family who was caring for children. The allowance would be paid at the same rate as married rate unemployment payment and income tested in the same manner as proposed for unemployment payments. Effectively the allowance would be paid at the full rate to those with unemployed partners and phase out at family incomes of about $440 per week.

These measures are costed at around $400 million by the Committee, but further savings expected from some of the incentive effects are at present unknown.

The main thrust of these reforms is about adjusting and fine tuning incentives to find work of all kinds for all recipients of unemployment payments. The present system gives little incentive to unemployed people to seek part-time and casual work, because it was designed for a labour market where full-time male breadwinners were the norm and unemployment was a short-term episode between periods of full-time work. Incentives were all directed at encouraging full-time work search. The new arrangements would attempt to broaden these incentives to all types of work and to both partners in unemployed couples. Getting the balance right between incentives to take part-time work combined with part-rate benefit and full-time work will be essential when the final detail is hammered out in the run up to the May Budget next year. The specific details of how the proposed changes could work are presented as examples only, subject to further development. However it is clear that the scope to move away from these 'examples' is limited if the fine balance of incentives mapped out in the Discussion Paper is to be maintained. Shadow Minister Ruddock has already claimed that the increased access to unemployment payments, particularly for partners offered by the changes, may in fact reduce incentives for some to seek employment.  

---

A further imperative driving these reforms is the need to adjust unemployment payments to adequately cater for the rise of the two income family and to recognise the workforce versus parenting dilemma faced by many families.

The Committee's social security proposals have been welcomed by ACOS and other welfare agencies. The Australian Democrats have also indicated support for the proposed parenting allowance\(^6\). However, this support does not rule out robust and lengthy debate over the detail of the changes as the proposals are translated into legislation.

7. Conclusion: Can it Work?

The strength of the Discussion Paper is its analysis of long term unemployment and its concern not to permit economic recovery by-pass the long term unemployed. However, employers would need to be persuaded to employ those who have been unemployed the longest. This would be counter-intuitive to many employers as noted earlier. The Discussion Paper appears to accept that current incentives incorporated in the existing labour market programs are sufficient to bring about the desired response from employers.

The likely response by benefit recipients to the labour market program and social security changes may be an increase in the numbers coming into the labour market. The Discussion Paper discusses this outcome, observing that dependants of benefit recipients will come into the labour market perhaps taking up those positions which the Committee would prefer to be taken by the long term unemployed.

The additional spending on labour market programs would less be significant than first appears to be the case. Spending on current 'active' programs is currently 0.3 per cent of GDP. This would increase to about 0.55 per cent of GDP at a maximum (if an additional $1.4 billion was spent in 1996-97). However future program spending is not expected to continue at the 1993-94 level so a more modest level of spending on 'active' programs in future years is likely: perhaps reducing to 0.45 per cent of GDP by 1996-97, depending on the success of the Budget Reduction Strategy and any higher than projected economic growth allowing a reduction of expenditures.

The proposed Job Compact scheme would therefore seem to hinge on the proposed social security changes making entry to the labour

---

market more attractive for the long term unemployed, so that these people can make the transition to paid employment. Accordingly, the need for a 'jobs levy' to fund these programs would seem to be minimal, since private sector support to implement the Job Compact cannot be guaranteed. A public infrastructure spending program is a different matter and presumably any increased taxation would have greater public support due to its broad community benefits.

The proposed social security reforms promise an overdue updating of the present income support regime for unemployed people. The impact of these reforms on the prospects of the long term unemployed could be quite significant if the right balance between incentives to combine part-time work with unemployment payments and those to move into full-time work is achieved.

The proposed reforms concerning couples and parenting work are logically the first steps in reforming the wider range of payments for spouses and carers. As such the implications of their implementation would go well beyond the current debate on unemployment.
# APPENDIX 1

Committee Members

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr Michael Keating</td>
<td>Secretary&lt;br&gt;Chair&lt;br&gt;Department of the Prime Minister and Cabinet</td>
</tr>
<tr>
<td>Mr A S Blunn</td>
<td>Secretary&lt;br&gt;Department of Social Security</td>
</tr>
<tr>
<td>Professor Jan Carter</td>
<td>Professor of Social Work&lt;br&gt;University of Melbourne</td>
</tr>
<tr>
<td>Professor Bob Gregory</td>
<td>Professor of Economics&lt;br&gt;Research School of Social Sciences&lt;br&gt;Australian National University</td>
</tr>
<tr>
<td>Professor Barry Hughes</td>
<td>Professor of Economics&lt;br&gt;University of Newcastle</td>
</tr>
<tr>
<td>Ms Mary Ann O'Loughlin</td>
<td>Senior Adviser (Social Policy)&lt;br&gt;Office of the Prime Minister</td>
</tr>
<tr>
<td>Mr Derek Volker</td>
<td>Secretary&lt;br&gt;Department of Employment, Education and Training</td>
</tr>
</tbody>
</table>
APPENDIX 2

Commonwealth Labour Market Programs

Employment Programs

**JOBSTART** pays a wage subsidy to employers. Subsidy payments vary according to the unemployment duration of job seekers - up to $230 a week for 20 weeks for job seekers who have been unemployed for 2 years or longer.

The **Landcare and Environment Action Program** (LEAP) is for young people aged 15 to 20. It provides an allowance of $125 a week for those aged 15-17 and $150 a week for 18-20 year olds. It combines formal training and practical experience in landcare, environment, cultural heritage and conservation work for a total of 26 weeks.

**JOBSKILLS** brokers contracted by DEET arrange work experience placements and training for long-term unemployed adults for a total of 26 weeks. Participants receive a training wage of $300 per week.

The **New Enterprise Incentive Scheme** (NEIS) provides income support, training in business skills and mentor support to unemployed people with a good business plan.

A **Community Activity Program** (CAP) was introduced in 1993-94 to assist unemployed people to gain work experience and skills through voluntary community service.

The **Training for Aboriginals Program** (TAP) provides wage subsidies for public sector training and on-the-job private sector training, formal training through vocationally oriented courses and subsidised work experience.

The **Disability Reform Package** (DRP) provides fully subsidised job placements for Disability Support Pension recipients and individual support services for people with high levels of disability while they are in labour market training, and for a period after they commence work.

**Training for Unemployed People**

**Skillshare** is a flexible community-based approach to provision of skills training and other assistance, including personal support, job referrals and enterprise activities.

In **JOBTRAIN** the CES buys special courses or places in existing courses for eligible unemployed people. Participants may receive an
income support payment - **Formal Training Assistance** (FTA) - which recognises the additional costs of training.

The **Special Intervention Program** (SIP) provides professional assessment of barriers to employment as well as assistance and contracted training to overcome those barriers. English as a second language training for unemployed migrants is provided by SIP.

**Accredited Training for Youth** (ATY) provides 15 to 19 year olds a place in an accredited course for one semester of full-time study. FTA may be paid.

The **Jobs, Education and Training** (JET) program provides information, advice, education, job search and employment placement assistance, supported by access to child care, to sole parents.

**Job Search, Mobility and Structural Adjustment**

**Job Clubs** combine training in job search skills with a period of intense job search in groups which are intended to become mutually supportive.

**Mobility Assistance** provides travel assistance for purposes ranging from fares to attend interviews to relocation assistance which pays for travel and removal expenses.

The **Office of Labour Market Adjustment** (OLMA) provides labour market assistance to businesses, workers or retrenched workers affected by structural adjustment. OLMA runs industry-based, regional and enterprise programs, including the **Training and Skills Program** (TASK). TASK provides assistance to enterprises which face major retrenchments or movement to short time or down time arrangements, to help them limit the shedding of labour and maintain or improve the skill levels of their employment.

**Personal Support**

**Contracted Placement** (CP) and **Post Placement Support** (PPS) are personal support services provided by agencies under contract to DEET, to assist long-term unemployed people to obtain jobs (CP) and retain them (PPS).

**Entry-level Training for Young People**

The **Australian Traineeship System** for young people provides broad-based on and off the job training linked to employment for one year. It promotes industry based training and the development of career paths for young people in non-trades employment.